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December 30, 2002

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DEC 30 2002

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**BY HAND DELIVERY**

Ms. Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W., Room TWB-204  
Washington, DC 20554

**REDACTED - FOR PUBLIC INSPECTION**

Re: Ex Parte Presentation in CC Docket Nos. 01-338, 96-98, 98-147

Dear Ms. Dortch:

On December 23, 2002, John Ivanuska representing Birch Telecom, and Joseph Gillan and the undersigned, representing the Promoting Active Competition Everywhere ("PACE") Coalition, met with Daniel Gonzalez to discuss the position of the PACE Coalition regarding the economic and operational impairments associated with sewing analog customers via competitive circuit switches. Attached are redacted versions of the documents distributed at the meeting.

Pursuant to section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), this letter is being filed for inclusion in the public record of the above-referenced proceedings.

Respectfully submitted,

*Genevieve Morelli*

Genevieve Morelli

cc: Qualex

Enclosure

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UNE-P is Critical to Competition  
for Analog Business Customers

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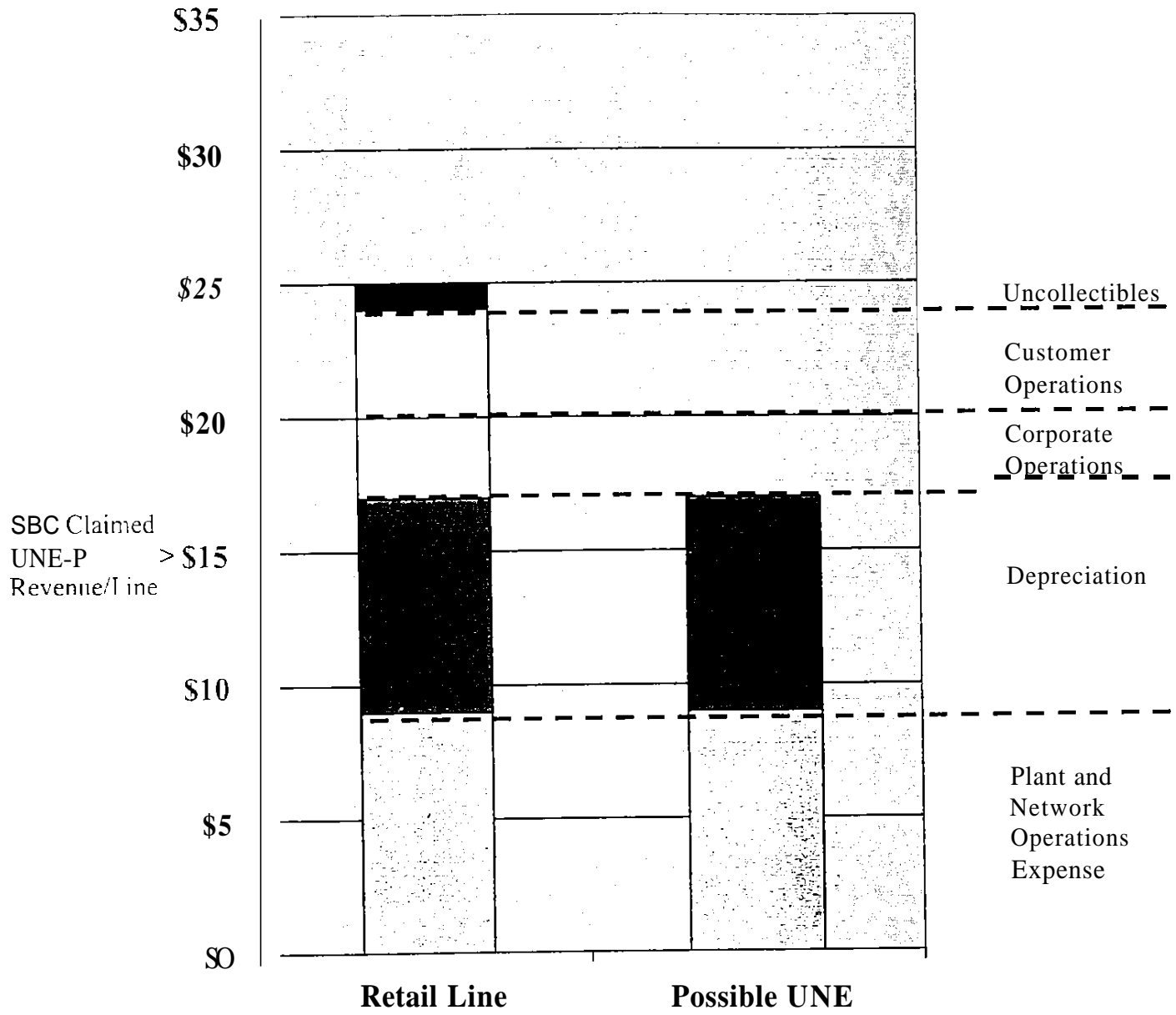
State	UNE-P Lines'		Percent Business	Relative Penetration'		
	Business	Residential		Business	Residential	
SBC Region						
OK	41,433	22,755	65%		10%	2%
MO	87,737	50,990	63%		16%	3%
KS	60,612	85,686	41%		19%	10%
CA	112,591	171,965	40%		2%	2%
TX	394,694	1,016,864	28%		16%	19%
AR	5,391	44,842	11%		2%	7%
Ameritech Region						
IL	107,477	418,889	20%		5%	11%
OH	51,779	226,887	19%		5%	8%
WI	11,029	53,763	17%		2%	4%
MI	128,745	695,815	16%		8%	23%
IN	9,337	51,689	15%		1%	4%
BellSouth Region						
SC	37,836	9,693	80%		14%	1%
TN	70,571	30,410	70%		15%	2%
AL	63,650	27,620	70%		18%	2%
NC	52,580	30,062	64%		11%	2%
KY	25,195	18,651	57%		11%	2%
MS	31,608	33,256	49%		12%	4%
LA	37,083	43,834	46%		7%	3%
FL	145,809	330,354	31%		11%	7%
GA	105,597	245,710	30%		14%	9%

<sup>1</sup> Source: SBC *Ex Parte*, CC Docket 01-338, October 30, 2002 (UNE-P lines as of August 31, 2002), and BellSouth *Ex Parte*, December 18, 2002 (UNE-P lines as of September 30, 2002).

<sup>2</sup> Relative penetration is defined as UNE-P share of the analog residential and analog business market. Source of analog residential and business lines: 2001 ARMIS 43-08.

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## SBC's Claimed Embedded Costs in Ameritech Region'



<sup>1</sup> Source: SBC Ex Parte. CC Docket 01-338, October 30, 2002

Scenario 1a: Access Concentrator Collocated in ILEC Central Office for McGee Wire Center Only (Incremental)

(\$ Per Line) Income Statement Revenues	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 2	Year 3	Year 4	Year 5
Cost of Services																
UNE Loop/Port																
LD																
T1 Transport, MUX, & Cross Connects																
Entrance Facility																
SE Switch Taxes, Labor, Rent																
Total Cost of Service																
Gross Margin																
SG&A <sup>1</sup>																
Depreciation and Amortization																
Operating Income																
Taxes																
Cash Flow																
EBIT																
Cash Taxes																
Depreciation & Amortization																
Capital Expenditures <sup>2</sup>																
Free Cash Flow																
Net Present Value (Cost of Capital = 18%)																
Year 1																
Year 2																
Year 3																
Year 4																
Year 5																

Notes

- 1) Includes only direct, incremental expense. Excludes 59% of total SG&A expenses
- 2) Includes only direct, incremental capital expenditures. Excludes sunk and common costs.

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## DSO Customers in Kansas City Sewed Via EAIB/5E Switch (Incremental) Inputs

### Revenue

Line

EUCL / LNP

Features

Access

Total Revenue

### Cost of Service

UNE Loop

UNE port Charge

Long Distance Call of Service

Transport

MUX

Cross Connects

OS3 Entrance Facility (from McGee to Oak Tower)

Total Cost of Service

Gross Margin

Gross Margin %

### Direct Operating Costs

Billing

MAC, Field Ops. Retention

Customer Service

Bad Debt

Total Direct Operating Costs

Contribution Margin

### Acquisition Costs

AE Sales Commission

Sales Management Commission

AE Salaries / Cell Phone / Car Allowance

Sales Management Salaries

Provisioning

Marketing

NRCs to Bell - loop

NRCs to Bell - Cross connect

NRCs to Bell - Service Order

NRCs to Bell - MUX

Total Acquisition Costs

### Capital Investment:

DSOs Served per 5E

5E Lucent cards per DSO

POTS bay per DSO

EA/U shelf per DSO

EA/U card per DS1

DNUS

2 M13 per DSO

DSX1 and 3 chassis/cards per DSO

Total other equip per DSO

### Cost to Maintain 5E Switch:

Property Tax

Switch Technician

5E Maintenance

McGee Rent/Power (DSO portion)

FACR/Audit

Rent

Power & Other Operating Expenses

Total Annual Switch Costs

Total Monthly Switch Costs

Monthly Cost per DSO

WACC

Average Churn Rate for 1-Line Accounts

Average Life

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Scenario 1 - Access Concentration Office (Incremental)												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Revenue												
Cost of Services												
LINE Loop/Port												
Transport, MUX & Cross Connects												
Insurance Facility												
E Switch Taxes, Labor, Rent												
Initial Cost of Service												
Loss Margin												
SG&A <sup>1</sup>												
Depreciation and Amortization												
Operating Income												
Taxes												
Cash Flow												
EBIT												
Cash Taxes												
Depreciation & Amortization												
Capital Expenditures <sup>2</sup>												
Free Cash Flow												
NPV Present Value (Cost of Capital = 18%)												
Year 1												
Year 2												
Year 3												
Year 4												
Year 5												
Notes	Excludes 50% of total SG&A expenses											

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